

Wheat Weekly Research Report

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Wheat Domestic Market Fundamentals**[\(Back to Table of Contents\)](#)**

All India weekly average prices increased by 0.02 percent to Rs. 1965.99 per quintal during the week ended 30th June 2018. Wheat average price were ruling at Rs 1965.68 per quintal during 16-23 June 2018. As compared to prices in the week 24-30 June 2017, the prices are firm by 1.13 percent. Prices are expected to remain firm in coming days due to decrease in arrivals and increase in import duty.

As per trade sources, import quotes for wheat from various origins to Tuticorin port, witnessed firm tone in the week. As of now Tuticorin port price for APW is Rs 2300-2310 per quintal, ASW is Rs 2140-2160 per quintal and Ukrainian wheat is Rs 1920-1940 per quintal. Wheat supplies are likely to tighten this year.

As per India's policy imported cargoes of pulses and wheat needs to be fumigated using methyl bromide. India has extended its policy for crop fumigation by six months i.e. until 31st December' 2018. Methyl bromide was once used as a pesticide but is now banned or restricted in most parts of the world. However Indian government has given exemptions to their methyl bromide rule to allow imports.

As per latest update, wheat stock in central pool as on 1st June'18 stood at 437.55 lakh tonnes up by 23.79% compared to last month. This quantity is higher by around 30.85% compared to last year for the same month. The stock position as on 01st June'18 is highest in last four years. Therefore, government has abundant supplies this year to tackle any unexpected rise in wheat prices by selling more quantity in open market.

Indian FoB quote is hovering around \$275.98 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$191.30, \$196.10, Euro 169.25, \$207.40 and \$223.35 per tonne respectively. There is little hope for recovery at export front this year. However, India is expected to import around 1.0 million tonnes in MY 2018-19.

Government agencies have started procurement since 15th March'18. Until 25th June'18 government has procured around 355.05 lakh tonnes of wheat. Of the total quantity procured, around 126.91 lakh tonnes have been procured from Punjab, 87.39 lakh tonnes from Haryana, 50.88 lakh tonnes from Uttar Pradesh, 72.87 lakh tonnes have been procured from Madhya Pradesh, 15.31 in Rajasthan, 1.08 lakh tonnes from Uttarakhand, 0.14 lakh tonnes from Chandigarh, 0.37 lakh tonnes from Gujarat, 0.09 lakh tonnes from Bihar and 0.01 lakh tonnes from Himachal Pradesh. In Rabi marketing season 2018-19 government has set procurement target of 32 MMT. Government has abundant supplies this year, which will allow it to control any unexpected price rise.

Wheat July contract closed at Rs 1826.00 per quintal after increasing by Rs 9.00 per quintal. Increase in import duty is likely to curb imports in MY 2018-19. No import in bulk has been registered since February. Government is likely to decide reserve price for selling wheat in open market in near future. Reserve price is expected to be around Rs 1900 per quintal compared to Rs 1790 per quintal in last MY. Increase in reserve price is likely to provide further support to market.

Previous Updates

As per Agriwatch estimate, production is likely to be around 94.0 MMT compared to 95.0 MMT last year. Total availability is likely to be around 109.62 MMT, lower compared to last year because of lower acreage. Carry out is expected to be around 14.32 MMT for 2018-19 compared to 14.62 MMT for 2017-18.

As per third advance estimate, India is likely to produce 98.61 MMT of wheat compared to 97.11 MMT in second estimate. The total food grain production is expected at record 279.51 MMT, up by around 0.72% compared to second estimate.

Outlook & Recommendation: Wheat cash market is expected to trade steady to firm in the coming week.

Trade Call: Stakeholders should trade in July contract taking care of lower and upper price tag of Rs. 1791 & 1877 respectively.

Wheat Weekly Export

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Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-08 May-2018	552.18	332.95
09-16 May -2018	666.47	381.66
17-24 May -2018	588.59	374.96
25-31 May -2018	497.24	348.75
Total	2304.48	

Source: Trade

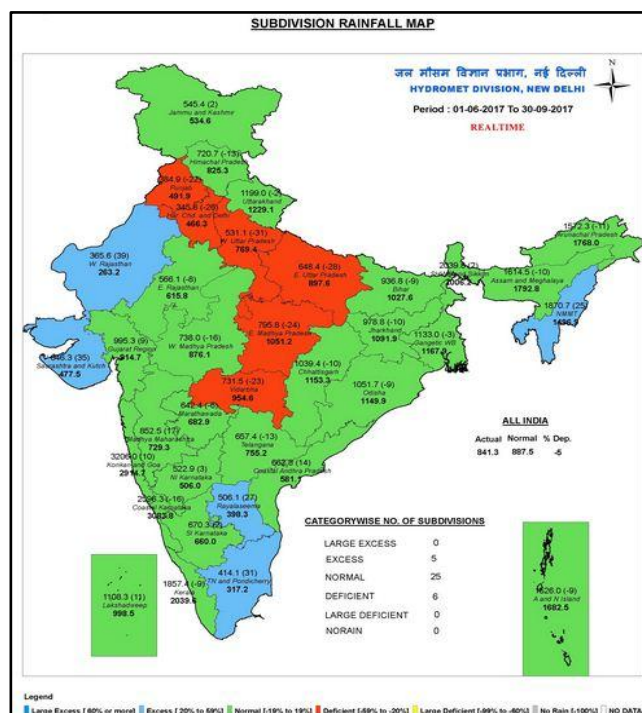
Wheat Import

Date	Source	Port	Quantity in MT	Ave CiF (\$/T)
27 th Feb-2018	Australia	Tuticorin	30780.34	256.5
	Total		30780.34	

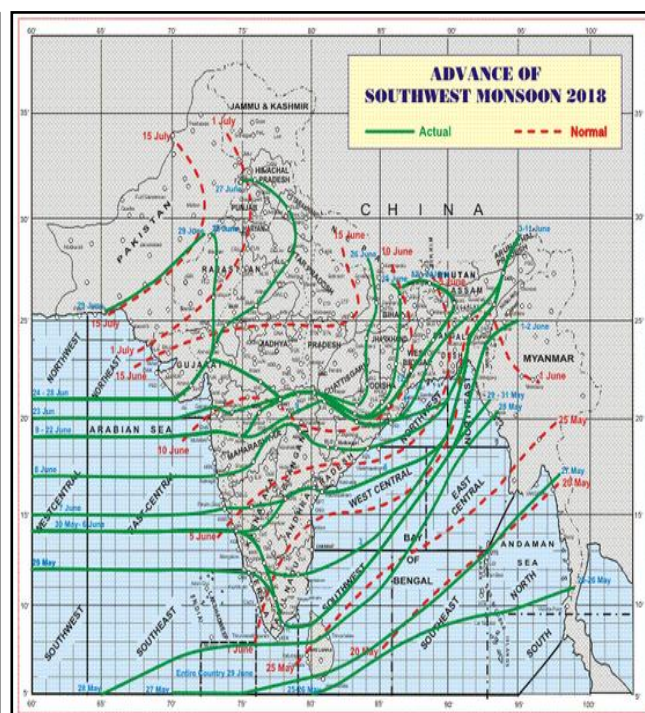
As per trade sources no quantity has been imported in the month of May-2018.

Source: Trade

Monsoon & Weather Condition



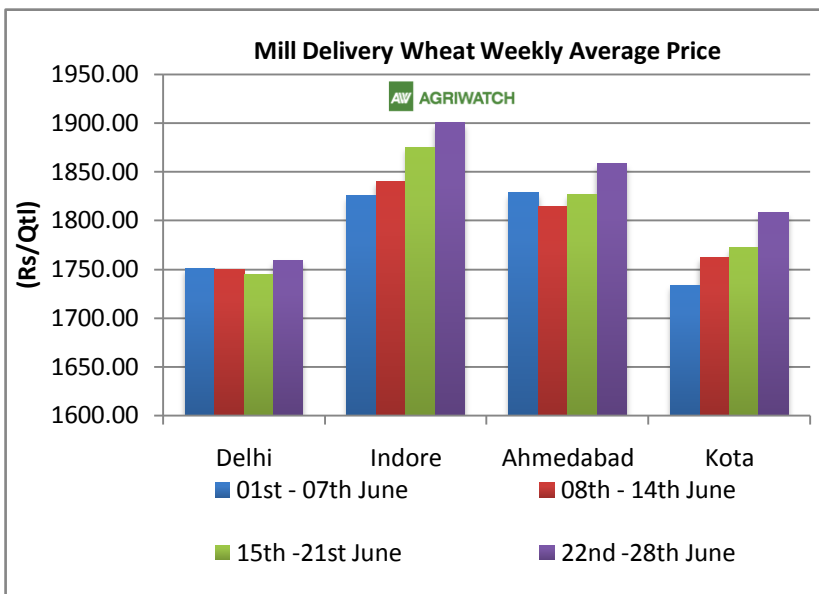
Source: IMD



Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded firm in Delhi, Indore, Ahmedabad and Kota during 22nd -28th June. Prices are expected to remain steady to firm in the week.

Firm sentiments were witnessed last week in various states. Government has procured intensively and has already surpassed its procurement target. Demand from south Indian millers is likely to pick up during lean season after application of 30% import duty. Abundant supplies this year will allow government to control any unexpected price rise.


Wheat and Rice Stocking Norms

Wheat Stock Norms						
Fig. In Lakh Tonne	Operational Stock			Strategic Reserve		
	Rice	Wheat	Total	Rice	Wheat	Grand Total
As on						
1st April	115.8	44.6	160.4	20	30	210.4
1st July	115.4	245.8	361.2	20	30	411.2
1st Oct.	82.5	175.2	257.7	20	30	307.7
1st Jan	56.1	108	164.1	20	30	214.1
Buffer Norms w.e.f. 01.07.2017						

Procurement As on 22nd June-2018

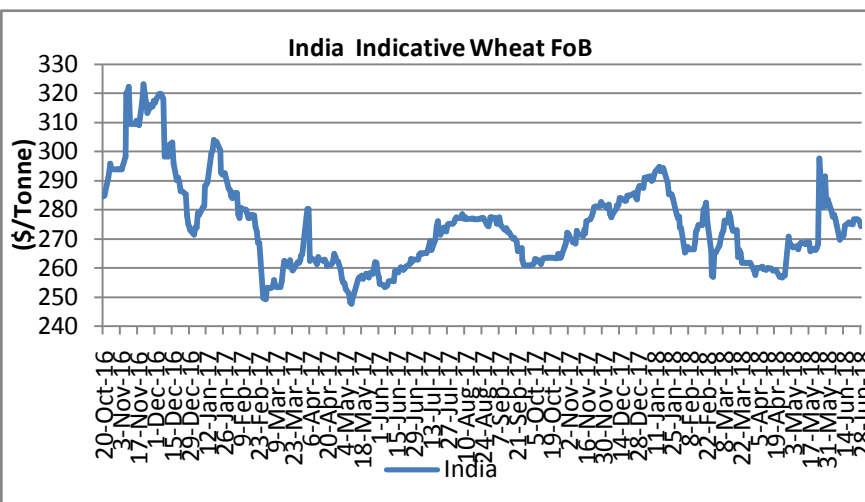
State	Target for Procurement In Marketing Season 2018-19(April To March)	Progressive Procurement As on 22.06.2018 (Fig In Lakh Tonne)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Gujarat	0.50	0.37	0.07	428.57
Haryana	74.00	87.39	74.32	17.59
Madhya Pradesh	67.00	72.87	67.24	8.37
Punjab	119.00	126.91	117.06	8.41
Rajasthan	16.00	15.31	12.27	24.78
Uttar Pradesh	40.00	50.88	35.62	42.84
Uttrakhand	1.00	1.07	0.02	5250.00
All-India	320.00	355.05	306.69	15.77

FOB Quote for Wheat at Kandla

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Wheat FoB quote in India witnessed steady to firm tone last week. The demand for Indian wheat in the international market is low. Export window remains restricted due to disparity.

Wheat FoB quote for Kandla is likely to witness steady to firm tone in the coming week and is likely to hover in the range of \$270-285 per tonne. Abundant availability of wheat in international market at lower prices compared to export prices of India has also reduced demand for Indian wheat in international market.

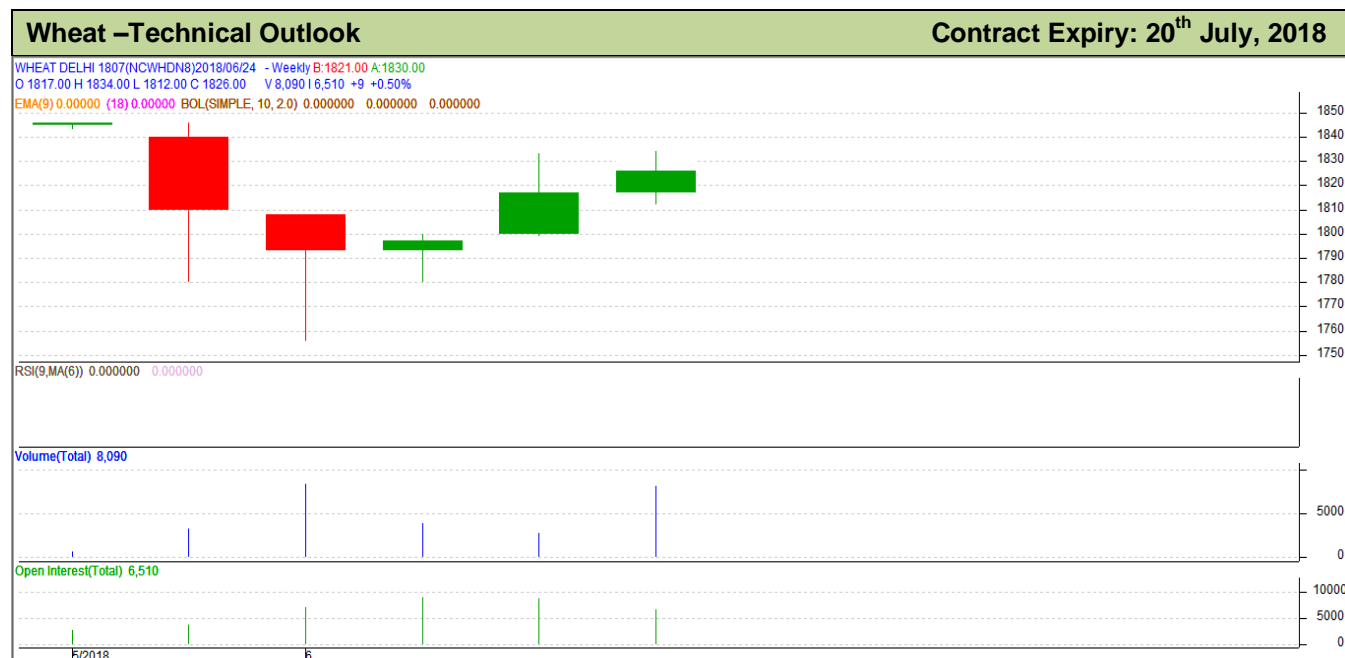


Indicative FOB Quotes:						
Wheat FOB	Variety	Yesterday	Week Ago	Month Ago	Year Ago	% Change over Prev. Year
		27-Jun-18	20-Jun-18	27-May-18	27-Jun-17	
USA (Chicago)	2srw	208.50	211.70	NA	186.74	11.65
France	FCW3	203.09	193.92	NA	186.78	8.73
Australia	ASW	225.00	222.75	237.60	230.08	-2.21
Russia	SRW	191.50	192.50	NA	177.50	7.89
India	Fob	275.83	275.41	280.89	262.99	4.88

	28/06/2018	21/06/2018	14/06/2018	07/06/2018
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	199	202	207	206
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	193	195	198	197

NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price								Date:29.06.2018	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
18-Jul	-2	1825	1828	1823	1826	1610	+550	6510	-1,420
18-Aug	-3	1845	1845	1841	1844	1430	+300	4170	+1,120
18-Sep	-4	1866	1866	1866	1862	0	0	0	0

Wheat Technical Analysis:
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Technical Commentary:

- Rise in price and fall in open interest indicates short covering.
- RSI is moving in neutral region.
- Traders are advised to go long on wheat for this week.

Strategy: Buy

			S1	S2	PCP	R1	R2
Wheat	NCDEX	July	1800	1791	1826	1870	1877
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	July	Buy	Above 1824	1845	1861	1812

Spot Price at NCDEX Delivery Centers:

Spot prices of wheat at NCDEX Delivery centers					
NCDEX SPOT	Today	Week Ago	Month Ago	Year Ago	% Change over prev. Year
	28-Jun-18	21-Jun-18	28-May-18	28-Jun-17	
Indore	1800	NA	1808	1625	10.77
Delhi	1785	1765	1774	1718	3.90
Kanpur	1680	1650	1650	1568	7.14
Rajkot	1810	1800	1800	1615	12.07
Kota	1798	1792	1793	1625	10.65

Source: NCDEX; NCDEX delivery prices are inclusive of Mandi tax and other applicable state taxes along with handling & packaging costs.

Domestic Market Weekly Outlook:
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Wheat cash market is likely to trade steady to firm in coming week, as prices are likely to get support from increase in import duty to 30 percent. Normal firmness can be expected in the market in upcoming festive season. There is no problem at supply side due to ample availability.

Spot Market Price:							
Centre	Market	Variety	Prices (Rs/Qtl)				
			Today	Yesterday	Week Ago	Month Ago	Year Ago
			28-Jun-18	27-Jun-18	21-Jun-18	28-May-18	28-Jun-17
Delhi	Lawrence Road	Mill Delivery	1770	1770	1745	1760	1720
	Narella	Mill Quality Loose	1710	Closed	1700	1730	1610
	Nazafgarh	Mill Quality Loose	1725	Closed	1700	1725	1630
Gujarat	Rajkot	Mill Delivery	1730	1730	1720	1690	1535
	Ahmedabad	Mill Delivery	1870	1870	1825	1870	1690
	Surat	Mill Quality Loose	1925	1925	1860	1925	1725
	Dhrol	Mill Delivery	1720	1920	1860	1850	1630
M.P.	Indore	Mill Quality Loose	1800	1800	Closed	1780	1600
	Bhopal	Mill Delivery	2000	2000	Closed	1725	1650
Rajasthan	Kota	Mill Quality Loose	1730	1730	1715	1700	1510
		Mill Delivery	1825	1825	1800	1780	1620
U.P.	Kanpur	Mill Delivery	1745	1745	1735	1725	1740
	Mathura	Mill Quality Loose	1650	1650	1640	1625	NA
	Kosi	Mill Quality Loose	1590	1590	1575	1650	1525
	Hathras	Mill Quality Loose	1620	1620	1590	1635	1580
	Aligarh	Mill Quality Loose	1600	Closed	1600	1590	1550
Punjab	Khanna	Mill Quality Loose	1705	1705	1700	1735	1610
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	1735	1735	1725	1730	1625
	Hodal	Mill Delivery	1715	1715	1705	1715	1685
	Bhiwani	Mill Quality Loose	1700	1700	1700	1725	1600
	Karnal	Mill Quality Loose	NA	NA	NA	NA	1625
	Panipat	Mill Quality	NA	NA	NA	1735	1625



		Loose					
Tamil Nadu	Chennai	Mill Quality	2150	2150	2140	2175	1950
	Madurai	Mill Quality	2207	2250	2250	2300	2100
	Coimbatore	Mill Quality	2207	2300	2300	2350	2150
Bihar	Khagariya	Mill Delivery	1500	1500	1550	1560	1600
	Muzaffarpur	Mill Delivery	1475	1475	1475	1475	1550

Progressive Sowing Status till 09th Feb-2018:

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State Wise Wheat Sowing Progressive in Lakh Hectares Till 09.02.2018				
State	Normal area	This Year	Last Year	% Change
Bihar	21.24	23.27	22.96	1.35
Chhattisgarh	1.036	1.85	1.76	5.11
Gujarat	11.56	10.76	9.96	8.03
Haryana	25.39	25.26	25.38	-0.47
Himachal Pradesh	3.5	3.6	3.59	0.28
J&K	2.955	2.93	2.31	26.84
Jharkhand	1.65	2.31	2.11	9.48
Karnataka	2.06	2.09	1.57	33.12
Madhya Pradesh	54.96	53.16	64.22	-17.22
Maharashtra	9.38	9.4	10.57	-11.07
Punjab	35.13	35.1	35	0.29
Rajasthan	30.472	30.2	30.67	-1.55
Uttar Pradesh	97.59	98.67	100.52	-1.84
Uttarakhand	3.53	3.58	3.594	-0.39
West Bengal	3.28	1.36	3.39	-59.91
Others	0.186	0.75	0.26	185.17
All-India	304.43	304.29	317.88	-4.27

Source: Ministry of Agriculture

International Market Update:**[\(Back to Table of Contents\)](#)**

Egypt has procured 3.15 MMT of local wheat in this season compared to 3.6 MMT in last season. As per traders, local wheat has been purchased by the private sector at \$222.16 per tonne while the government was buying at around \$ 203.27 per tonne. The price gap created an opportunity for private sector to pay for local wheat in Egyptian pound rather than USD. Lower wheat procurement is indicating that GASC has to import more to fill its supply gap.

Russian milling wheat prices became firm by \$0-3 per tonne at Novorossiysk and \$2-3 per tonne at Odessa compared to last week. Harvesting in southern regions of both Ukraine and Russia has started that is keeping prices under pressure. As of now Russian milling wheat with 12.5% protein content at Novorossiysk port is being quoted at FoB \$195.00-199.00/tonne whereas milling wheat with 11.5% protein content at Odessa is being quoted at FoB \$188.00-192.00/tonne.

China's acreage for quality wheat increased by around 2.5 percent to 30 percent. Yield for wheat was low due to rains during sowing and low temperature in April. Therefore increased acreage may offset some damage to yield caused by weather aberration. As of now agricultural production is being impacted as parts of northeast is facing drought and there are constant rains in south.

As per latest update, Japan's ministry of agriculture bought 91188 MT of food quality wheat from United States and Australia. Around 65943 MT has been bought from United States and 25245 MT of standard white wheat has been bought from west Australia. Shipments from United States and Australia will be loaded between Aug 01 and Aug 31, 2018.

South Korea has followed Japan's suit and banned Canadian wheat and flour. Canada has started working with foreign trade partners to make sure the ban is short lived and necessary clarifications as well as complete information is provided.

GASC has purchased 240000 tonnes of Romanian wheat through tender. ADM offered two cargoes of 60000 tonnes each at FoB \$203.95 per tonne, CHS offered 60000 tonnes at FoB \$20.95 per tonne and Cargill offered 60000 tonnes at FoB \$203.95 per tonne.

As per Russian Grain Union, Russia is likely to produce 68-69 MMT of wheat. Low rains during May and June is likely to cut yields by around 30 percent. Farmers have not bought fertilizers and crop-protection chemicals due to lower profit margins; this implies that the crop is more susceptible to weather aberrations this year. Wheat CBOT has increased by around 22 percent this year and is likely to stay bullish in near future.

ABARES has cut wheat output in Australia to 21.9 MMT from 23.7 MMT in its previous forecast. As of now Australia is in need of rains for crop development. Western region has been supported by rains in past days whereas eastern region is still waiting for rains. Last year also Australia produced 21.2 MMT in 2017-18.

Japan has banned Canadian wheat after it found some genetically modified grain. This move by Japan is likely to hurt Canadian farmers as Japan alone buys around CAD 500 million worth wheat from Alberta province. GMO wheat has been banned in most countries due to consumer concerns.

Australia is expecting to produce 24 MMT in 2018-19 under normal conditions. Australia has been facing dry condition this year, which is weighing on its production. Recent rainfall in western region has provided some relief. In 2017-18, Australia was able to produce 21.2 MMT due to low yield and acreage compared to 34.4 MMT in 2016-17. Black sea region has been capitalizing on lower production in Australia by capturing Australia's market share in Indonesia.

IGC Wheat Balance Sheet:
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IGC Forecast(Fig-In MMT)	2015-16	2016-17	2017-18 (Forecast)	2018-19(Projected)	
		(Estimate)		26.04.2018	24.05.2018
Production	737	754	758	739	742
Trade	166	177	176	179	177
Consumptions	719	737	740	745	746
Carryover stocks	226	244	262	257	258
Y-O-Y change	18	18	18	-	-3
Major Export	67	80	83	72	75

- IGC has projected global wheat production to be 742 MMT for 2018-19. According to forecast by IGC for 2017-18, global wheat production was around 758 MMT against 754 MMT for 2016-17. The projection for global production is lower by 16 MMT compared to forecast for 2017-18. IGC has projected lower production for 2018-19 however; carryover stocks are still at higher side.
- Trade projection for 2018-19 has been increased to 177 MMT. It is 1 MMT higher compared to forecast for last year and higher by 11 MMT compared to 2015-16.
- Consumption has been increased by 1 MMT to 746 MMT for 2018-19. The projection is higher by 9 MMT compared to 2016-17.
- Carryout for 2018-19 is projected at 258 MMT compared to forecast of 262 MMT last year. It is higher by around 14 MMT compared to estimate of 2016-17.

CBOT FUTURES CONTRACT:

CBOT Futures Prices:(USD/T)							
CONTRACT MONTH	Today	Week Ago	Month Ago	3 Month Ago	6 Month Ago	Year Ago	% Change over prev. year
	28-Jun-18	21-Jun-18	28-May-18	28-Mar-18	28-Dec-17	28-Jun-17	
Jul-18	176.17	179.38	199.50	171.39	166.98	191.97	-8.23
Sep-18	179.47	183.42	205.65	177.55	171.67	195.46	-8.18
Dec-18	185.08	189.95	212.54	185.45	177.73	200.60	-7.74
Mar-19	190.77	196.19	218.42	191.51	181.95	204.18	-6.57
May-19	195.00	200.42	221.27	194.72	184.43	206.57	-5.60
Jul-19	197.02	202.16	221.63	196.93	186.27	201.34	-2.14

CBOT July-18

1st Support: 163.00
2nd Support: 161.00
1st Resistant: 202.00
2nd Resistant: 204.00
(\$ per tonne)

Wheat CBOT closed at \$4.97 per bushel. U.S. export sales in the week of June (15th -21st) were 563700 tonnes. On June 25, USDA reported winter wheat harvest was 41% complete, ahead of the 5-year average of 33%. USDA rated the winter wheat crop 35% good to excellent, down from 39% a week ago and 34% of the winter wheat is in poor or very poor condition.

International FOB Weekly Price Movement (USD/T)

Indian FoB quote is based on local price. There is no export in bulk currently. Indian FoB quote is hovering between \$274.19-276.71 per tonne.

US and Russian quotes are hovering in the range of \$207.40 and \$191.30 per tonne respectively. Wheat prices in international markets remained steady to slightly firm in last week.

Wheat is expected to trade steady to slightly firm and hover in the range of \$185 to \$240 in coming week.

International Weekly Outlook:

Global wheat market is expected to trade steady to slightly firm due to unfavorable weather conditions in major producing regions. EU is likely to produce around 148.5 MMT in 2018-19 compared to 151.2 MMT in 2017-18. Russia and Ukraine are likely to harvest 74.50 MMT and 26.7 MMT of wheat in 2018-19 respectively. Production in US is likely to be around 47.50 MMT compared to last year's 47.40 MMT. Australia is likely to produce 24.30 MMT in 2018-19 compared to 21.20 MMT in 2017-18 as acreage is likely to return to normal level. Argentina is expecting to harvest around 17.1 MMT in 2018-19 compared to 18.5 MMT in 2017-18. Furthermore, Canada is likely to harvest around 29.9 MMT in 2018-19 compared to 30.0 MMT in 2017-18.

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